

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF FRANKLIN

JOHNSON COUNTY, INDIANA

January 1, 2021 to December 31, 2022



**FILED**

08/02/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jayne Rhoades	01-01-21 to 12-31-23
Mayor	Stephen Barnett	01-01-21 to 12-31-23
President of the Board of Public Works and Safety	Stephen Barnett	01-01-21 to 12-31-23
President Pro Tempore of the Common Council	Kenneth Austin	01-01-21 to 12-31-23
Utility Office Manager	Sherry Phillips	01-01-21 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF FRANKLIN, JOHNSON COUNTY, INDIANA

This report is supplemental to the audit report of the City of Franklin (City), for the period from January 1, 2021 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with the Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

July 20, 2023

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CLERK-TREASURER  
CITY OF FRANKLIN

CLERK-TREASURER  
CITY OF FRANKLIN  
AUDIT RESULTS AND COMMENTS

**COMPENSATION AND BENEFITS**

A similar comment also appeared in prior Report B57173, entitled *COMPENSATORY TIME*.

*Condition and Context*

Employees earned compensatory (comp) time in lieu of being paid overtime. Three employees selected for testing earned comp time during the audit period. The City's policy states overtime must be approved in advance; however, no audit evidence of that approval was presented for audit.

One employee's timesheets selected for testing were not approved by the employee's supervisor prior to payment.

The pay rates for two hourly employees selected for testing were not included in the salary ordinance.

*Criteria*

The City of Franklin Employee Handbook, page 36, adopted by the Common Council in 2015, states in part:

"The Department Head will attempt to distribute overtime as equally as practicable to qualified employees within those classifications in which overtime is required. Departments may adopt procedures for assigning overtime consistent with the intent of this policy. Overtime must be approved in advance by the Department Head. . . . For the purposes of calculation of overtime, paid vacation, personal, sick and other paid leave will not be included as physical time worked. Non-exempt employees of the City may receive compensatory time off for overtime hours worked in lieu of overtime pay. With the Department Head's approval, an employee may be switched from compensatory to overtime to compensatory time two times per calendar year."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF FRANKLIN  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The City certified for 2021 and 2022 on the Indiana Gateway for Government Units financial reporting system that all personnel defined by Indiana Code 5-11-27(c) had received training on internal control standards adopted by the City; however, during the engagement, the Clerk-Treasurer indicated that all required personnel had not received training concerning the internal control standards.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

*Condition and Context*

Financial and other information is required to be entered into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The capital assets information entered by the City into Gateway contained the following error:

- At December 31, 2022, the Buildings category was understated by \$6,302,628.

Adjustments were proposed, accepted by the City, and made to the Schedule of Capital Assets presented in the Financial Statement Audit Report as Other Information.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CLERK-TREASURER  
CITY OF FRANKLIN  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2023, with Jayne Rhoades, Clerk-Treasurer; Stephen Barnett, Mayor; Kenneth Austin, President of the Common Council; Martha Anderson, Account Coordinator; Michelle Murray, Payroll Coordinator; and Alyvia Sundheimer, Administrative Assistant.

COMMON COUNCIL  
CITY OF FRANKLIN

COMMON COUNCIL  
CITY OF FRANKLIN  
AUDIT RESULT AND COMMENT

**TRAINING ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

Three City employees, whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the City, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

*Criteria*

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

COMMON COUNCIL  
CITY OF FRANKLIN  
EXIT CONFERENCE

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